

WESCAP DEVELOPMENT, LLC

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Via e-mail: sdarr@flagstaffaz.gov

February 8, 2013

Sarah Darr
Housing Manager
CITY OF FLAGSTAFF
211 West Aspen Avenue
Flagstaff, AZ 86001

RE: Mountainside Village Apartments
2251 North Izabel Street
Flagstaff, AZ 86004
• 2013 Tax Credit Application – *Local Government Financing*

Dear Sarah:

Mountainside Village Apartments (the "Project") is slated to be submitted to the Arizona Department of Housing ("ADOH") as a 2013 Low Income Housing Tax Credit ("LIHTC") application on May 1, 2013. As you know, the annual LIHTC application process with ADOH is highly competitive with about 30% of the applications receiving allocations of tax credits from ADOH. Every possible scoring point needs to be considered to ensure a competitive LIHTC application is formulated.

ADOH's 2013 LIHTC Qualified Allocation Plan (2013 QAP) offers the scoring category entitled *Local Government Contribution – 10 Points* (Sections 2.7.I and 2.9.W). This scoring category for the Project can be satisfied by a loan from the City of Flagstaff ("City").

WESCAP Investments, Inc. ("WESCAP") requests the City consider providing a *Local Government Contribution* to the Project in the form of a cash flow loan in the amount of \$245,000.00. Please consider:

Project Description and Background:

Mountainside Village Apartments is an existing 80-unit apartment complex that was financed under the LIHTC program. The 5.5 acre site for the Project was purchased from the City. The City sold the land for the appraised value - \$345,000, and provided a loan of \$345,000 for 30 years, at 3% interest, payable interest only each month.

The Project was completed in 1996 and consists of 50 two-bedroom units, with a net livable area of 750 sq. ft., and 30 three-bedroom units with, a net livable are of 929 sq. ft. Eight (8) apartment buildings, containing 10 units each, and one office/laundry/maintenance shop currently comprise the Project.

Continued

The Project has been operated by WESCAP as an affordable housing development with rents affordable to families earning 60% or below the Area Median Income ("AMI") levels.

Acquisition/Rehabilitation Project under 2013 QAP:

Mountainside Village Apartments qualifies under the *Acquisition/Rehabilitation – 10 Points* scoring category of the 2013 QAP (Sections 2.7.J and 2.9.X). A new development partnership, Mountainside Village/Flagstaff LP, will acquire the project from the current owner, Flagstaff Affordable Housing, Limited Partnership, for the appraised value, as stipulated under Section 42 of the IRC and ADOH. Mountainside Village/Flagstaff LP (the "Applicant") will submit the 2013 LIHTC application to ADOH. An affiliate of WESCAP, WESCAP Development, LLC, will be the lead developer.

WESCAP is proposing substantial rehabilitation of the exteriors and interiors of the existing eight (8) apartment buildings and office/laundry/maintenance shop. The existing office and laundry will be remodeled and expanded. The existing maintenance shop will be relocated into a newly constructed and expanded maintenance/storage facility. Additionally, a new community center, with a manager's unit on the second floor, will be constructed. Currently, the Project has no community center

Rents and Income Levels:

As stated above, currently the Project offers rents affordable to households earning 60% or below AMI levels. Upon completion of the rehabilitation construction, the Project will provide:

- 24 units @ 40% AMI - \$449 & \$493/month
- 32 units @ 50% AMI - \$588 & \$654/month
- 24 units @ 60% AMI - \$728 & \$816/month
- 1 Manager's Unit
- 81 Units Total

Seventy percent (70%) of the affordable units will be rented to households earning 40% and 50% of AMI.

Local Government Contribution - \$245,000 from City Loan:

As stated above, the City provided the existing project with a \$345,000 loan. Under WESCAP's proposal:

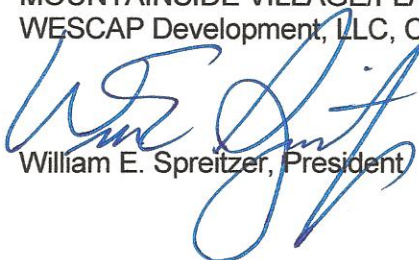
- The City's existing loan in the amount of \$345,000 would be repaid at the time the new development partnership, Mountainside Village/Flagstaff LP ("Applicant"), acquires the property.
- The City would immediately provide the Applicant with a loan in the amount of \$245,000 for the acquisition of the land portion of the purchase. If the land appraises for less than \$245,000, the balance of the loan would be allocated towards improvements.

- The City would provide a cash flow loan in the amount of \$245,000, which is secured by a Deed of Trust. The City's loan would be subordinate to the balance of the financing, which is anticipated being comprised of:
 - Permanent Loan of up to \$1,500,000.
 - HOME Loan of up to \$750,000.
 - Federal Home Loan Bank – Affordable Housing Program of up to \$800,000.
- The City's loan would be payable, interest only at 3%, with the first payment due June 30, 2015, cash flow permitting. Interest would accrue from July 1, 2014. Maturity would be June 30, 2044.
- Closing is anticipated around December 1, 2013.
- The total development cost of this Acquisition/Rehabilitation project is about \$14,467,000, or about \$178,600/unit for 81 units. The City's contribution of \$245,000 equates to 1.70% of the total development budget.

With the City's consideration of providing *Local Government Contribution* in the amount of \$245,000 under ADOH's 2013 QAP, WESCAP believes a competitive 2013 LIHTC application can be formulated for Mountainside Village Apartments.

Sincerely,

MOUNTAINSIDE VILLAGE/FLAGSTAFF LP
WESCAP Development, LLC, Consultant



William E. Spreitzer, President